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Few WA homeowners using landmark law to halt foreclosure



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This month marks the third anniversary of Washington's Foreclosure Fairness Act - a law prompted by the foreclosure crisis and designed to give struggling homeowners a fair shot at keeping their houses.

But numbers from the Washington State Commerce Department show that only a small fraction are taking advantage of the law's chief component – mediation.

In the first quarter of this year, records show that about 4,500 Washington homeowners received a notice of default – the first step on the road to foreclosure. Yet, only 10 percent of those homeowners opted to take their case before a mediator.

“What that says to me is that not enough people understand the protections that the act truly affords,” said Seattle attorney Melissa Huelsman. She advocated before the legislature in favor of the law in 2011.

Huelsman said a mediator brings neutrality to the table and acts as a referee to enforce the rules. That’s something homeowners may not get if they try to deal with the lender or loan servicer on their own.

“The mediator is the person who is making the determination about whether or not the parties acted in good faith,” said Huelsman.

Huelsman is a board member of the Northwest Consumer Law Center, which offers legal services on an income-based, sliding-fee scale.

She said lenders and their representatives are delaying and denying homeowners’ requests to modify the terms of their home loans – the same complaints that lenders faced during the foreclosure crisis a few years ago.

Attorneys and housing counselors, who often provide assistance free of charge, refer cases for mediation. Mediation, which costs a homeowner \$200, is much cheaper than the other option, Huelsman said.

“I have people come to me who don’t want to participate [in mediation] because they think that they want to sue. I always tell people litigation is a last resort. It’s not your first resort,” said Huelsman.

Of the 6,200 referrals for mediation so far, many have not resulted in an agreement. Mediation doesn’t always keep a borrower in their home. But there are many success stories that would not have occurred without mediation.

Leonette Hall of Tacoma is one person the law helped. She negotiated with her loan servicer for more than three years before a housing counselor referred her to mediation.

But last week an envelope arrived in the mail with news that her lender had approved a home loan modification.

“So I got a lower interest payment, I got \$250 off my mortgage payment a month,” said Hall. “I cried.”

Experts recommend that struggling homeowners contact the Washington Foreclosure Hotline for help -- **877.894.4663** or online at **www.atg.wa.gov/foreclosure.aspx**.

The Northwest Consumer Law Center is online at **www.nwclc.org**.